



DYNAMIC

MACHINE WORKS INC.

Precision Flowforming

Machine & Electrical Consultants, Inc.
17 Pomerleau Street
Biddeford ME 04005

July 8, 2003

Attention: Mr. Norman Crepeau

Subject: Delays on the delivery of the Johnford HT-275G CNC lathe
on our Purchase Order No. 13436

Reference: Your email of June 26, 2003 / Phone conversations
on June 27 and July 1, 2003

Dear Norman,

This letter is to put in writing the verbal understanding reached during our two phone conversations concerning the continuing delays on the scheduled delivery of this machine. As agreed, Dynamic Machine Works Inc. ("Dynamic") will not cancel the purchase order at this time providing the following conditions are met by Machine & Electrical Consultants, Inc. ("M&E"):

1. The machine, meeting all specifications of the M&E sale proposal, must be shipped out of Taiwan no later than Friday, August 15, 2003. Physical evidence confirming its departure (via Bill of Lading or other shipping document) must be received by telefax at Dynamic no later than Monday morning, August 18. **Failure to meet the above will be cause for cancellation of the purchase order.**
2. A copy of the factory-performed accuracy test report must be received and reviewed by Dynamic before approval to ship will be granted. The report shall be complete of all tests including actual measurements for axis accuracy in positioning and repeatability as well as applicable standards in spindle error limitations. Delays in meeting applicable accuracies shall not be cause for further extension in the ship date of August 15. **Please note that Dynamic will close for summer vacation on Saturday August 2 and will reopen on Monday the 11th.**

The approved-to-ship accuracies must be duplicated or bettered during the installation at Dynamic. **Failure to meet the agreed accuracies will be cause for a non-commissioning and non-acceptance of the machine.**

3. As per past correspondence and verbal agreements, the machine must be delivered from the factory capable to meet the following tasks:
 - (a) CNC system displays programmed feed rates in Inches Per Revolution (IPR) and cutting speeds in Inches Per Minute (IPM).
 - (b) A 5" diameter boring bar being able to reach at minimum a $-.1875$ " position in the X axis.

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- (c) The automatic conveyor system for chip removal to be adequate for this size of machine. It is expected that, unlike what we are experiencing with the Johnford loaner presently on our floor, metal chips of any size or form, in any length (including such as is generated from the operation of large drills) would have an unobstructed way out of the ejector channel without assistance by the machine operator or interruptions due to the system's failure to eject properly. Size of the conveyor motor should also be adequate for this size machine and be directionally reversible to "unjam" should the undesirable occur.
4. Complete and unconditional commissioning of the machine to be finalized no later than the closing of business day on Friday, September 19, 2003. Failure to meet this deadline will result in the following penalty:
Beginning with September 20, 2003 and continuing for every calendar day thereafter until complete commissioning of the machine is achieved, M&E will agree to pay Dynamic a fine of \$ 500.00 per day to be deducted from the balance owed to M&E for the cost of the machine.
5. Per our conversation and agreement of last week, the balance of the payment for the machine has been revised as follows:
- (a) The stipulated second payment of \$ 148,000.00 presently due upon delivery of the machine will become due and payable upon commissioning of the machine.
- (b) The third and final payment of \$ 177,500.00 shall remain at Net 30 days from commissioning and acceptance of the machine.

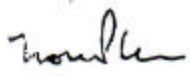
Norm, we sincerely hope we have seen the end of these delays. We are looking very much forward to have this machine in operation on our shop floor. As you know, I am very unhappy with all of this. I trust the above agreed conditions will be taken seriously by M&E and the Johnford's people since further failures to deliver will be met with the cancellation of the order.

To acknowledge your concurrence with this agreement, please sign one of the two enclosed copies and return it to us for our files. Thank you. Any questions, please give me a call.

Best regards,


Ven Fonte

For Machine & Electrical Consultants, Inc.


Norman Crepeau

July 19, 2003
Date